

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 COME-00 /018 W

-----066348 101300Z /44

R 100749Z AUG 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 5634

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EA/K PASS AMBASSADOR SNEIDER

E.O. 11652: N/A

TAGS: BEXP, KS

SUBJECT: KOREAN ELECTRONIC SWITCHING SYSTEM (ESS)

REF: SEOUL 0718

1. WITH WINNING BIDDER FOR ESS PROJECT SCHEDULED TO BE ANNOUNCED AUGUST 15, THERE IS GROWING RESTLESSNESS ON THE PART OF INTERESTED COMPANIES. ALTHOUGH AN OFFICIAL SHORT LIST HAS NOT BEEN PUBLICLY ANNOUNCED, THE ORIGINAL LIST OF FIVE BIDDERS (REFTEL) HAS IN FACT BEEN NARROWED DOWN TO TWO, ITT AND FUJITSU. WE UNDERSTAND FUJITSU PRESIDENT WAS RECENTLY IN SEOUL AND MET WITH MINISTERS OF EPB AND MCI TO DISCUSS PROJECT. PRESIDENT OF ITT FAR EAST AND PACIFIC, JAMES PURDY, IS CURRENTLY IN SEOUL AND, AT ITT'S REQUEST, EMBASSY HAS REQUESTED SIMILAR APPOINTMENTS FOR HIM. OTHER BIDDERS, MEANWHILE, ARE SHOWING RENEWED INTEREST AS DEADLINE APPROACHES. ACCORDING ITT, SIEMENS RECENTLY WROTE ROKG PROPOSING THAT, SINCE MANY CHANGES HAVE BEEN MADE IN SPECIFICATIONS SINCE TENDER ORIGINALLY ISSUED, BIDS BE REOPENED TO INCLUDE OTHER ORIGINAL BIDDERS. ITT DOES NOT BELIEVE ROKG WILL TAKE SIEMENS PROPOSAL SERIOUSLY, UNLESS IT SHOULD NEED CONVENIENT EXCUSE TO REOPEN BIDDING BECAUSE OF POSSIBLE INABILITY OR UNWILLINGNESS TO CHOOSE BETWEEN ITT AND FUJITSU.

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2. IN RELATED MOVE, ANOTHER AMERICAN COMPANY, GTE, ALSO AN ORIGINAL COMPETITOR FOR ESS AWARD, HAS CABLED PRESIDENT PARK CHUNG HEE APPEALING AGAINST AN EXPECTED TURNDOWN OF ITS APPLICATION TO FORM A JOINT VENTURE COMPANY TO PRODUCE ELECTRONIC PABX EQUIPMENT. FOLLOWING IS TEXT OF GTE CABLE TO PRESIDENT PARK, WITH COPIES TO EPB MINISTER NAM DUCK WOO AND AMBASSADOR SNEIDER.

3. (BEGIN QUOTE) DEAR MR. PRESIDENT

1) PLEASE FORGIVE OUR INTRUSION INTO YOUR BUSY SCHEDULE TO ASK YOUR ASSISTANCE AT A TIME WHEN NO OTHER COURSE IS AVAILABLE TO US BY WHICH WE MAY SEEK EQUITABLE TREATMENT.

2) WE KNOW THAT YOU ARE PERSONALLY AWARE OF THE AGREEMENT WE ENTERED WITH KOREA INSTITUTE OF SCIENCE AND TECHNOLOGY ON APRIL 2, 1974 TO FUND A PROJECT IN KIST FOR DEVELOPMENT OF A UNIQUELY KOREAN ELECTRONIC PRIVATE AUTOMATIC BRANCH EXCHANGE.

3) YOU WILL NO DOUBT RECALL THAT YOU PERSONALLY DEMONSTRATED THE FIRST ONE OF THESE MACHINES AT ITS INTRODUCTION AT KIST EARLIER THIS YEAR.

4) IN OUR AGREEMENT WITH KIST AND IN ALL OUR DISCUSSIONS WITH THE MINISTRIES OF COMMUNICATIONS, SCIENCE AND TECHNOLOGY, COMMERCE AND INDUSTRY, AND WITH THE ECONOMIC PLANNING BOARD IT HAS BEEN QUITE CLEAR THAT WITH THE SUCCESSFUL DEVELOPMENT OF THE PABX IT WAS OUR INTENTION TO ENTER A JOINT VENTURE IN KOREA TO PRODUCE IT FOR SALE IN KOREA. WE BELIEVED THAT SINCE OUR AGREEMENT WAS WITH A HIGHLY REGARDED GOVERNMENT AGENCY WE HAD EVERY RIGHT TO EXPECT THAT WE WOULD BE ALLOWED TO DO SO AND SPENT THE TIME AND MONEY TO INDEED CONCLUDE THE DEVELOPMENT OF LIMITED OFFICIAL USE

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MENT SUCCESSFULLY.

5) WE FILED WITH EPB IN MAY OF THIS YEAR OUR FOREIGN INVESTMENT APPLICATION NAMING SAMSUNG ELECTRONICS AS OUR PROPOSED PARTNER AND HAVE PROCEEDED WITH OUR PLANS IN EXPECTATION OF APPROVAL. WE WERE ADVISED BY SAMSUNG TODAY THAT THEY HAD BEEN NOTIFIED THAT THE MINISTRY OF COMMERCE AND INDUSTRY WILL RECOMMEND THAT GTE'S APPLICATION NOT BE APPROVED.

6) IF OUR APPLICATION IS REJECTED, THUS PREVENTING US FROM UTILIZING THE RESULTS OF OUR INVESTMENT AND KIST'S DEVELOPMENT EFFORTS, AND FURTHER DENYING TO THE REPUBLIC OF KOREA A NEW AND SOPHISTICATED SYSTEM DEVELOPED BY AND FOR KOREA, THE USE OF OBSOLETE AND EXPENSIVE EQUIPMENT WILL BE PERPETUATED.

7) WE FRANKLY DO NOT UNDERSTAND THIS POSITION BY THE MINISTRY OF COMMERCE AND INDUSTRY AND ARE RELUCTANT TO ASSUME BAD FAITH. EQUALLY IT WOULD APPEAR TO BE AN ACTION INCONSISTENT WITH WHAT WAS BELIEVED TO BE A DESIRE TO GROW AND MODERNIZE THE TELECOMMUNICATIONS INDUSTRY IN KOREA. WE WONDER IF IT IS BECAUSE OF MISUNDERSTANDING OR WHETHER WE HAVE NOT FURNISHED SUFFICIENT INFORMATION FOR MINISTRY OF COMMERCE AND INDUSTRY EVALUATION.

IF THIS IS THE CASE, WE ARE OF COURSE PREPARED TO FURNISH  
ADDITIONAL INFORMATION WHICH MAY BE REQUESTED OF US BUT CAN-  
NOT DO SO WITHOUT HAVING SUCH OPPORTUNITY.

8) WE TURN TO YOU FOR HELP IN RESOLVING THIS QUESTION AND TO  
THAT END IT IS MY PLAN TO VISIT SEOUL BEGINNING THE 24TH OF  
AUGUST AND I RESPECTFULLY REQUEST A MEETING AT YOUR CONVEN-  
IENCE.

9) ONCE AGAIN ALLOW ME TO APOLOGIZE FOR TROUBLING YOU AND TO  
THANK YOU IN ADVANCE FOR YOUR HELP.

10) RESPECTFULLY, WILLIAM L. MAYO, VICE PRESIDENT, GTE COMMUNI-  
CATIONS PRODUCTS BUSINESS, STAMFORD CONNECTICUT, U.S.A., TLX  
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965821. (UNQUOTE)

4. EMBASSY WOULD APPRECIATE DEPARTMENT'S GUIDANCE  
AFTER CONSULTATION WITH AMB ON WHAT FURTHER ACTION  
IF ANY EMBASSY SHOULD TAKE.  
STERN

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## Message Attributes

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**Review Markings:**  
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